



Yorkton,
Saskatchewan in
Profile

Tax Measures in the
Federal Economic
Statement

A Participant Ribbon
is Not Good Enough
for Canada

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research of importance to
the four western provinces,
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Canadians.

CURRENTS

Western Canada's
Monthly Economic Bulletin

November 2007

a Canada

Foundation publication

Monthly Highlights

Driven by stronger than expected job creation numbers, the national unemployment rate dropped to 5.8%, the lowest it has been in 33 years. Robust employment growth helped push Manitoba's unemployment rate down to 4.0%, the second lowest in the country.

Inflation picked up considerable steam in September, except in Alberta where the increase in the consumer price index eased off slightly. Saskatchewan's inflation rate accelerated to 3.8% due to the rising cost of home ownership in that province. Rising

gasoline prices were a key factor behind the higher inflation rate in most provinces.

Compared to last year, retail sales so far in 2007 are up 11.3% in Saskatchewan, 10.3% in Alberta, 8.8% in Manitoba, and 7.0% in BC. The increase in the rest of Canada is substantially lower at 4.1%.

January to August wholesale trade in Saskatchewan is up 17.5% from the same period last year, compared to a national average of 5.0%.

Nation-wide, the value of building permits fell slightly in September, but stayed well above \$6 billion. Gains on the residential side were more than offset by declines in non-residential permits. Significant declines in BC, Alberta and Saskatchewan were behind the overall drop in non-residential permits.

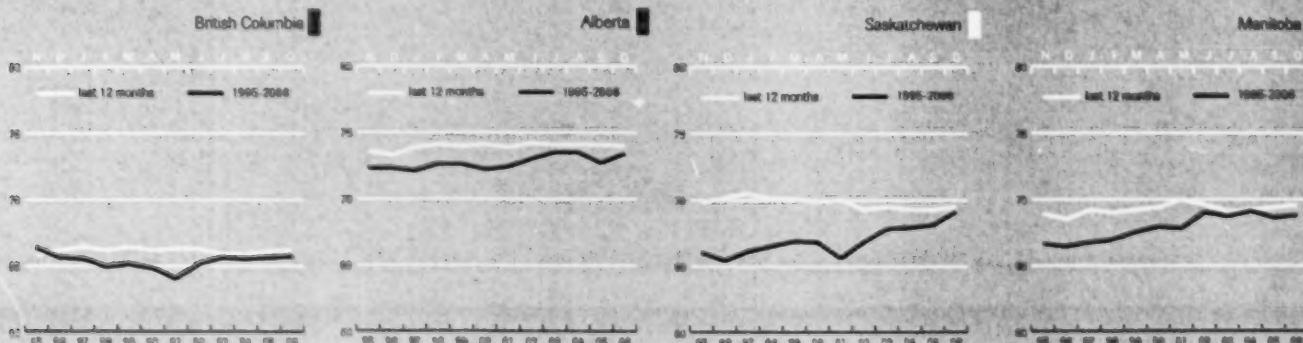
While many Canadian manufacturers are struggling with the strength of the Canadian dollar, Manitoba's manufacturing sector has posted healthy gains. Manitoba manufacturing sales for January to August are up 11.8% from the same period in 2006.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Employment (SA, 000s)	2,272.6	1,977.1	502.6	602.3	16,986.0	October
% change, yoy	2.8	3.9	0.5	2.4	2.5	
Unemployment rate (SA, %)	4.4	3.4	4.3	4.0	5.8	October
Participation rate (SA, %)	66.2	74.0	69.5	69.6	67.6	October
Average weekly earnings (SA, \$)	762.05	834.45	719.44	707.85	772.59	August
% change, Jan-Aug 2007 average, yoy	2.5	4.5	3.7	4.2	3.1	
CPI inflation, annual (%)	1.9	4.6	3.8	2.8	2.5	September
Building permits, residential (SA, \$ millions)	614.7	775.2	770	83.0	3,998.9	September
% change, Jan-Sep 2007, yoy	16.4	15.9	43.6	18.6	15.2	
Building permits, non-residential (SA, \$ millions)	202.3	449.4	56.5	47.1	2,204.4	September
% change, Jan-Sep 2007, yoy	10.7	25.0	3.2	0.7	21.7	
Housing starts (SAAR, 000s)	43.9	57.3	6.4	5.6	281.3	September
% change, Jan-Sep 2007, yoy	3.3	1.0	70.0	123	0.7	
Retail trade (SA, \$ millions)	4,727	5,173	1,089	1,179	34,547	August
% change, Jan-Aug, yoy	7.0	10.3	11.3	8.8	5.0	
Wholesale trade (SA, \$ millions)	4,501	5,524	1,187	1,086	43,161	August
% change, Jan-Aug, yoy	5.9	5.6	17.5	0.5	5.0	
Manufacturing sales (SA, \$ millions)	3,636	5,630	1,010	1,392	51,222	August
% change, Jan-Aug, yoy	-2.0	0.8	0.2	11.8	1.4	

Source: Statistics Canada. yoy=year over year, SA=seasonally adjusted, SAAR=seasonally adjusted at annual rates

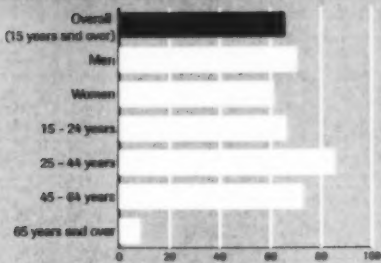
Labour Market Participation Rate (%)

Source: Statistics Canada

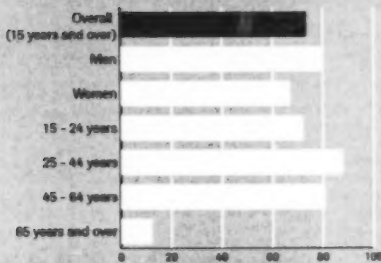


**Labour Market Participation Rates,
by Sex and Age Group (%), 2006**

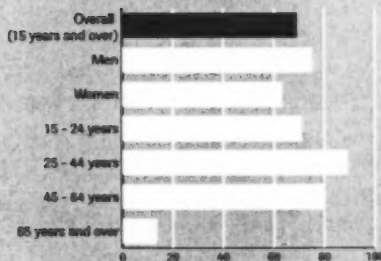
British Columbia



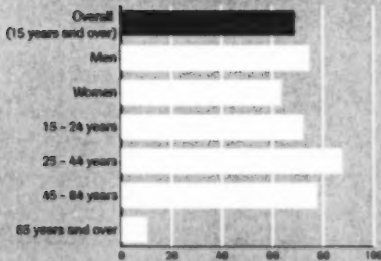
Alberta



Saskatchewan



Manitoba



Source: Statistics Canada

Behind the Numbers

The participation rate is the labour force (the number of people aged 15 and over with jobs and those who are actively looking for work) expressed as a percentage of the population 15 years and over. Alberta's traditionally high labour force participation rate—the highest in Canada—sets it apart from the other western provinces and the rest of the country.

The participation rate of 25 to 64 year olds in Saskatchewan is almost identical to Alberta, yet the overall participation rate is lower in Saskatchewan (69.1% compared to 73.4%). This is due to the fact that Alberta has a larger proportion of people aged 25 to 44 and a lower proportion of people aged 65 and over, compared to Saskatchewan.

Overall participation rates increased significantly during the 1970s as larger numbers of women entered the job market. The participation rate of women was well below 50% in every province except Alberta in the mid-1970s.

Shifting demographics will have an impact on future labour force participation rates. The first of the baby boomers have already turned 60. As the population ages and more workers retire and exit the labour force, participation rates will likely fall.



Aerial view of Yorkton, Saskatchewan

CITY IN PROFILE: YORKTON, SASKATCHEWAN

Located in east-central Saskatchewan, Yorkton is the largest city on the Trans Canada Yellowhead highway between Saskatoon and Winnipeg. The 2006 Census found that 15,038 people called Yorkton home, a 0.5% decrease in population from 2001. However, the contraction of Yorkton's population was less than half that of the province as a whole. Interestingly, the 2006 Census found that Yorkton had 14.4% more women than men, compared 3.7% for the province as a whole and 4.2% across Canada.

Yorkton is the primary retail, service and business centre for east-central Saskatchewan, as well as the western edge of Manitoba. As a regional centre, Yorkton is the major supplier of health, education and government services in the region. One out of every eight jobs are in the health sector. The city also has a vibrant manufacturing sector, which includes a number of international manufacturers.

Yorkton is currently buzzing with economic activity, including residential and non-residential construction. Construction of the \$125 million Louis Dreyfus International canola crushing plant is well underway. This plant will employ roughly 45 people and should operating by the fall of 2008.

did you know?

For every woman with a PhD in science or engineering in Canada, there are four men.

Canada ranked 63rd of all countries in average voter turnout from 1945 to 1998 (of countries with legitimate democratic elections and universal suffrage).

Worldwide, one out of every six people do not have access to safe, clean water.

In 1956, seniors accounted for 7.7% of the Canadian population. In 2006, the figure was 13.7%.

Canada's total expenditure on health (public and private) as a percentage of GDP is 9.8%, compared to 15.3% in the US.

The average farm size in Saskatchewan has more than doubled in the last 50 years.

Canada accounts for approximately 0.5% of the world's population.

MONTHLY FEATURE

Tax Measures in the Federal Economic Statement

On October 30, the Honourable Jim Flaherty, Minister of Finance, unveiled the federal government's mid-year Economic Statement. Leading up to the Statement, many analysts and commentators were speculating on whether or not it would include an announcement of tax reductions. Speculation ended when Minister Flaherty announced reductions in both personal and corporate taxes.

In total, the tax measures amount to roughly \$60 billion over six years. Three-quarters of the tax measures are aimed at individuals and households. These measures include:

- reducing the GST to 5% from 6%, effective January 1, 2008;
- increasing the basic personal amount (the amount that can be earned without paying federal income tax) to \$9,600 in 2007 and 2008 and to \$10,100 in 2009; and
- reducing the lowest personal income tax rate to 15% from 15.5% as of January 1, 2007.

The remaining one-quarter of tax reductions are aimed at the business sector. These measures include:

- a series of reductions to general corporate income taxes—deeper and faster than previously announced cuts—that will bring the corporate tax rate down to 15% by 2012 from the current rate of 22.12% (this includes the 1.12% corporate surtax which will be eliminated in 2008); and
- reducing the small business income tax rate to 11% in 2008, one year earlier than originally scheduled.

Total Tax Measures, 2007-08 to 2012-13

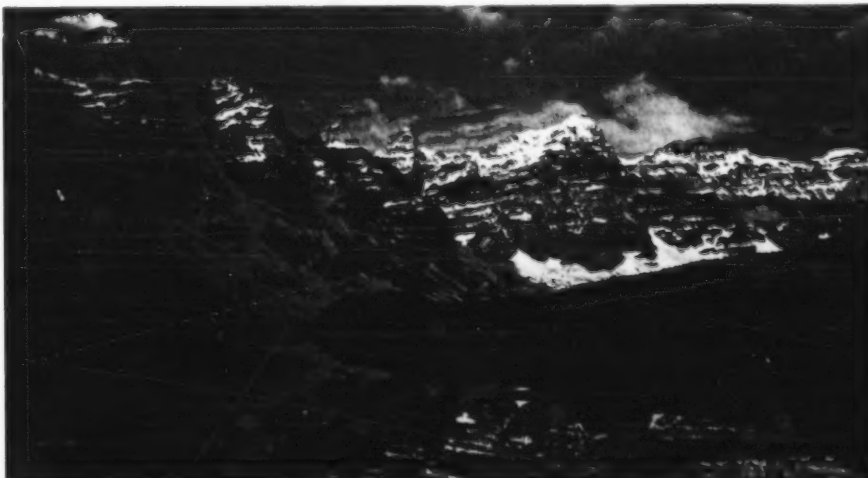
	Total through 2012-13 (\$ billions)	% of total
Reduction in GST	34.2	57.0%
Increase to basic personal amount	2.5	4.1%
Reduction in lowest personal income tax rate	8.4	14.1%
Total for individuals and families	45.0	75.8%
Reduction in general corporate income tax rate	14.1	23.7%
Acceleration of the small business income tax reduction	0.3	0.4%
Total for businesses	14.4	24.2%
TOTAL	59.4	100.0%

Source: Government of Canada, Department of Finance

The aggregate figures are huge—\$45 billion in tax reductions for individuals and families over six years. But, what do these tax measures mean in practical, everyday terms?

On the personal income tax side, the Ministry of Finance provided two examples of how the change will affect families. For both examples, the families have two income earners and two children. The first family has a total annual household income of \$40,000—one person earns \$24,000 and the other earns \$16,000 per year. This family would will pay approximately \$270 less in federal income tax in 2007. The other family has a total annual household income of \$100,000, with one person bringing in \$60,000 and the other \$40,000 per year. This second household would will pay approximately \$430 less in federal income tax in 2007.

The effect of the reduction in the GST in terms of an individual or household's annual "GST bill" is a little less straightforward. The amount of GST paid annually by a given household depends in part on consumption patterns. All else being equal, higher consumption households will pay more tax. However, using the median value of expenditures by Canadian households as a guide, the 1% reduction in the GST translates into roughly \$260 less in GST annually.



A Participant Ribbon is Not Good Enough for Canada

by Brett Gartner, Senior Economist

In his October 30 speech for the 2007 federal Economic Statement, the Honourable Jim Flaherty noted that we are in the midst of the second longest period of economic expansion in our country's history. Although the weakness in the US economy is a source of concern and the rapid rise of the Canadian dollar is causing pains in the manufacturing and export-oriented sectors, the economy continues to perform very well.

Nationally, the unemployment rate hit a 33 year low of 5.8% in September. More than a quarter of a million jobs have been created so far this year. Commodity prices have shown continued strength and corporate profits have been very strong, boosting business investment. Our public finances are in good shape compared to other G7 countries.

The West continues to do more than its share of the heavy lifting in the Canadian economy. Looking forward, all four western provinces are on track to outperform the country as a whole in terms of real GDP growth in 2007 and 2008.

By and large, the economic picture looks great. But, this period of growth and prosperity is no time for the West—or Canada—to rest on its laurels.

The World Economic Forum recently released its ranking of countries in terms of international economic competitiveness. Yet again, Canada did not break the top ten. In fact, Canada slipped one spot to 13th in the world. The ranking is based on a broad range of factors that are absolutely necessary for sustainable growth in productivity and competitiveness, including infrastructure, education and training, business sophistication and innovation, macroeconomic stability, and labour market efficiency.

The top five ranked countries were the US, Switzerland, Denmark, Sweden and Germany. The US's top ranking is attributed to things such as the efficiency of its markets, the sophistication of American businesses, and the

capacity for technological innovation that exists within a first-rate system of universities and research centres.

Switzerland ranked high due to its capacity for innovation and sophisticated business culture. Like the US, Switzerland has superior scientific research institutions and high spending on research and development. Denmark and Sweden received high marks for their strong macroeconomic foundations and public finances, and on higher education and training. Fifth place Germany is ranked number one worldwide in terms of its infrastructure and the sophistication of its business sector.

Recognizing the importance of ensuring that the West—and indeed Canada—can continue to compete successfully in the international economic arena, the Canada West Foundation has initiated a bold new three-year project. In the spirit of the 2010 Winter Olympics, the Going for Gold Project is inspired by the challenges of international economic competition. The project will examine the West's economic standings and make recommendations for its future, helping ensure that the West and Canada will not just survive, but succeed, in the international economy.

The project will dig deep into important questions. How can western Canada be the best in the world at things like transportation, research and development, and productivity? What can we learn from our competitors around the world? What specific public policy actions should be taken to ensure the region's international economic competitiveness over the long term? Through the Going For Gold Project, the Canada West Foundation will help ensure that in the international economic competition, the West and all of Canada will have a place on the podium.

Coming in 13th in the world earns us a participant ribbon. This just isn't good enough. We deserve a medal—preferably gold. ■

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